

Date of Hearing: June 4, 2013

ASSEMBLY COMMITTEE ON VETERANS AFFAIRS

Al Muratsuchi, Chair

SB 106 (Monning) – As Amended: May 16, 2013

SENATE VOTE: 37-0

SUBJECT: California Central Coast State Veterans Cemetery at Fort Ord Endowment Fund.

SUMMARY: This bill clarifies that any so-called cash advances to the Fort Ord Endowment Fund (Endowment Fund) are not obligations of the General Fund and requires the Department of Veterans Affairs (Department) to develop and submit a State Veterans Cemetery Grant Program application under certain conditions as specified. Specifically, this bill:

- 1) States that the Department may enter into any financial agreement to receive cash advances in the Endowment Fund, provided that the agreement does not require the state to repay or make payments on cash advances and the agreement is reviewed and approved by the Department of Finance.
- 2) Mandates that upon the determination of the Controller, after consultation with the Secretary of Veterans Affairs, that the Endowment Fund has adequate principal to yield sufficient investment earnings in each year for the next 10 years, from the date of the determination, to fully fund the respective year's administrative and oversight costs, net of all other estimated revenue sources, and to fund the estimated costs of developing and submitting the State Veterans Cemetery Grant Program application, the Department shall develop and submit a State Veterans Cemetery Grant Program application to the United States Department of Veterans Affairs for the establishment of a veterans cemetery.
- 3) Directs the Department to consider cash flow needs when providing estimates to the Controller in making this determination.
- 4) Contains an urgency clause, directing that this bill go into effect immediately.
- 5) Declares that the reason for the urgency clause is to meet the deadline of July 1, 2013, established by the United States Department of Veterans Affairs as a result of federal sequestration, which requires the California Department of Veterans Affairs to submit its application for millions of dollars in federal funds to cover the cost of building the California Central Coast State Veterans Cemetery at Fort Ord.

EXISTING LAW: Creates the Endowment Fund in the State Treasury. Moneys in the Endowment Fund shall be allocated, upon appropriation by the Legislature, to the Department for the annual administrative and oversight costs of the veterans cemetery and to generate funding through interest for the veterans cemetery.

Directs that Moneys in the Endowment Fund shall first be invested with the goal of achieving capital appreciation to create a balance sufficient to generate ongoing earnings to cover the estimated annual oversight and maintenance costs associated with the veterans cemetery.

Directs that upon the determination of the Controller that the Endowment Fund balance has attained the goal of generating ongoing earnings to cover the estimated annual oversight and maintenance costs associated with the veterans cemetery, moneys in the Endowment Fund shall be invested to generate earnings to fund annual oversight and maintenance costs associated with the veterans cemetery.

Specifies that the Endowment Fund may consist of donations from public and private entities, partnerships between public and private entities, fees, cash advances, and transfers from the state General Fund as may be specified by law.

Authorizes the Department to enter into any financial agreement to receive cash advances in the Endowment Fund, provided that no obligations of repayment are made to the state and the agreement is reviewed and performed in consultation with the Department of Finance.

Directs that to the extent possible, donations made in-kind to the Endowment Fund shall be monetized so as to offset the ongoing administrative and oversight costs.

Specifies that earnings generated by the Endowment Fund shall be retained by it.

Clarifies that moneys deposited in the Endowment Fund are exempt from the requirements of Sections 11270 through 11277 of the Government Code.

Directs the Treasurer to invest money in the Endowment Fund after consultation with the Department in a manner that best meets the goals of the Endowment Fund.

Specifies that if, through changes in state or federal law, additional revenues are identified for the administration and oversight of the cemetery, including increases in federal burial allowances, so that the amount of annual revenue exceeds the annual administrative and oversight costs, the excess revenues shall be deposited in the Endowment Fund

FISCAL EFFECT: Senate Appropriations Committee determined that there was either no cost to the state or minimal costs, pursuant to Rule 28.8.

COMMENTS:

In 1991 the federal Base Realignment and Closure Commission (BRAC) recommended that the United States Army post at Ford Ord be inactivated. The fort was closed in 1994. Part of the Base Reuse Plan includes building a veterans' cemetery.

Traditionally, veterans' cemeteries have been federal responsibilities, but as the last century came to a close the federal government enacted a cost saving measure by offering to build cemeteries but let states pay the maintenance costs in perpetuity as was done with the now completed Redding cemetery, California's first.

The federal government has proposed the same agreement for the California Central Coast State Veterans Cemetery at Fort Ord, saying the federal veterans' cemetery at Gustine in the Central Valley is close enough and has enough room to relieve Washington of any obligation to build a federal cemetery on the central coast.

Under the federal Veterans Affairs State Cemetery Grants Program, the federal government will fund up to 100% of the cost of establishing, expanding, or improving state veterans' cemeteries, including the acquisition of initial operating equipment, if the state agrees to cover the administrative and oversight costs in perpetuity.

Once completed, the cemetery will serve all veterans, but will be most convenient for the approximately 100,000 veterans and their families living within the 75-mile radius, an area that includes the counties of Monterey, Santa Cruz, San Benito and half of Santa Clara.

The estimated interment needs of that area's veteran population are 5,600 burial and crypt sites for the initial 10 years. The actual interment sites to be provided in this initial phase will be approximately 2,800 burial and crypt sites.

The Phase I plan will develop 26 acres of the site. At a minimum, the cemetery will provide approximately 11,500 gravesites in its 20-year build-out.

A federal grant program provides funds to build both initial and follow-on phases, but the State of California is responsible for maintaining the cemetery, using moneys from an endowment fund. AB 3035 (Laird, 2006) established an endowment to cover maintenance costs, prior to applying for grant funding for construction. The Endowment Fund goal is \$3.4 million.

The strategy has been to raise funds privately and/or sell the Endowment Parcel, land designated by FORA, the City of Seaside and the County of Monterey, to provide the required funding to meet federal obligations. However, according to the author due to the impact of sequestration, the USDVA has imposed a deadline of July 1, 2013 for the Department to submit its pre-application to the Veterans State Cemetery Grants Program to maintain its position on the priority list for the cemetery grant. Furthermore, the author states that if this deadline is not met, it is likely that California will not secure a position on the priority list for upcoming years. This is the basis for the urgency clause in the bill.

The author states that the second section of the bill, "... contains language requested by the [Department of Finance] DOF to clarify the principle amount required to be retained in the Central Coast State Veterans Cemetery Endowment Fund in order to pay for the annual operations and maintenance costs of the Cemetery."

#### Related Legislation:

AB 1842 (Monning, Ch. 745, Stats. 2012)

(1) Authorizes the California Department of Veterans Affairs to enter into a financial agreement to receive cash advances in the existing Endowment Fund previously created to help the proposed California Central Coast State Veterans Cemetery at Fort Ord. (2) Provides such agreements are permissible so long as no obligations of repayment are made to the state, and each agreement is reviewed and performed in consultation with the Department of Finance. (3) Authorizes CDVA to use money received from the prospective federal grant, which is transferred to the Fund, to reimburse the costs of developing and submitting the grant application, to reimburse any cash advances made to the Fund. Senate 37-0; Assembly 74-0.

AB 629 (Monning, Ch. 267, Stats. 2011)

Prior law required CDVA, in voluntary cooperation with the Monterey County Board of Supervisors, the City of Seaside, the Fort Ord Reuse Authority (FORA), and local agencies to design, develop, and construct the California Central Coast Veterans Cemetery at Fort Ord, as specified. The State Contract Act requires projects that are not under the jurisdiction of specified departments to be under the charge and control of the Department of General Services (DGS). This bill authorizes CDVA, rather than DGS, to enter into an agreement with the FORA for the veterans cemetery project to be under the sole charge and direct control of the FORA.

AB 1757 (Monning, Ch. 450 Stats. 2010)

(1) Requires the California Department of Veterans Affairs (CDVA), in voluntary consultation with local governments and stakeholders, to construct the California Central Coast Veterans Cemetery at Fort Ord. (2) Authorizes CDVA to design, develop, and construct the cemetery in phases. (3) Requires the regulations established regarding burial eligibility to apply to all state-operated veterans cemeteries, and limits burial to dependent children of honorably discharged veterans.

AB 3035 (Laird, Ch. 291 Stats. 2006)

Creates the California Central Coast State Veterans Cemetery at Fort Ord Endowment Fund in the State Treasury and directs that moneys in the Endowment Fund shall be allocated, upon appropriation, to the Department of Veterans Affairs for annual administrative and oversight costs of the cemetery.

SB 1815 (McPherson, Ch. 771, Stats. 2000)

Ordered the development of the Central Coast Veterans Cemetery Master Plan and appropriated \$140,000 for the creation of a Central Coast Veterans Cemetery Master Development Fund.

#### REGISTERED SUPPORT / OPPOSITION:

##### Support

American Legion– Department of California  
AMVETS– Department of California  
California Association of County Veterans Service Officers  
California State Commanders Veterans Council  
Fort Ord Reuse Authority  
Monterey County Board of Supervisors  
Veterans of Foreign Wars – Department of California  
Vietnam Veterans of America– California State Council

##### Opposition

None on file.

Analysis Prepared by: John Spangler / V. A. / (916) 319-3550